

Message Text

CONFIDENTIAL

PAGE 01 KATHMA 00110 01 OF 03 071113Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
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FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 7140
INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 3 KATHMANDU 0110

E.O. 11652 GDS
TAGS: PFOR, PINT, IN NP
SUBJ: TULSI GIRI-ONE YEAR AFTER

1. SUMMARY. TULSI GIRI BECAME NEPAL'S PRIME MINISTER A LITTLE OVER A YEAR AGO CHARGED BY THE KING TO IMPROVE RELATIONS WITH INDIA, ERADICATE INEFFICIENCY AND CORRUPTION IN GOVERNMENT, AND IMPLEMENT THE NEW CONSTITUTIONAL REFORM WHICH PLACED CONSIDERABLE POLITICAL POWER IN THE HANDS OF THE PALACE. DESPITE AN ERRATIC PERFORMANCE (AND INNUMERABLE RUMORS OF HIS IMPENDING DISMISSAL) GIRI REMAINS AT THE HELM OF A GOVERNMENT DOMINATED BY THE KING AND HIS CLOSE ADVISORS. END SUMMARY.

2. GIRI'S INITIAL ACT AS PRIME MINISTER WAS TO CALL AN INFORMAL PRESS CONFERENCE FOR MEMBERS OF THE INDIAN PRESS CORPS RESIDENT IN KATHMANDU AT WHICH HE CALLED FOR A "POLITICAL DIALOGUE AT A HIGH LEVEL" TO END THE LONG PERIOD OF DISTRUST AND EVEN CONFRONTATION WHICH HAD EXISTED BETWEEN INDIA AND NEPAL. MANY AT THAT TIME THOUGHT THAT GIRI'S APPOINTMENT AS PRIME MINISTER WAS A CLEAR SIGNAL THAT NEPAL HAD COME TO ACCEPT THE NEED TO ESTABLISH A FIRM AND CLOSE RELATIONSHIP WITH NEW DELHI IN ORDER TO MEET ITS AMBITIOUS GOALS OF ECONOMIC DEVELOPMENT. GIRI,
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PAGE 02 KATHMA 00110 01 OF 03 071113Z

HIMSELF, BELIEVED THAT A POLITICAL DIALOGUE WOULD BE REQUIRED TO REACH A SPEEDY AGREEMENT ON A NEW TRADE AND TRANSIT AGREEMENT TO REPLACE THE ONE WHICH WAS SCHEDULED TO EXPIRE IN 1976.

3. BUT UNFORTUNATELY FOR GIRI (AND PERHAPS NEPAL) THE PRIME MINISTER'S CHANCE REMARK WHILE IN INDIA THAT A

"SPECIAL RELATIONSHIP" EXISTED BETWEEN THE TWO COUNTRIES SPARKED A STORM OF PROTEST IN KATHMANDU THAT HE HAD SOLD OUT THE COUNTRY'S VITAL INTEREST IN REMAINING A NEUTRAL ENTITY BALANCED BETWEEN INDIA AND CHINA. THIS PROTEST EXTENDED TO, OR WAS PERHAPS EVEN INITIATED BY, THE PALACE WHERE THE KING'S CLOSE ADVISORS AND GIRI'S POLITICAL ADVERSARIES CHARGED THAT HE HAD EXCEEDED THE KING'S INSTRUCTIONS IN HIS TALKS WITH MRS. GAHNDI. IN EVIDENT REACTION TO GIRI'S STATEMENT, THE KING SHORTLY THEREAFTER ANNOUNCED A TRIP TO CHINA AND SAW FIT NOT TO INFORM GIRI OF THE ANNOUNCEMENT IN ADVANCE.

4. IF THE PSYCHOLOGY OF GIRI'S INDIAN POLICY FAILED, IT IS FAR MORE SERIOUS THAT THE CONCERTED RESULTS HAVE BEEN EQUALLY NEGLIGIBLE. THE TRADE AND TRANSIT TALKS BROKE DOWN AFTER GIRI'S CHIEF NEGOTIATOR WAS FORCED ON PALACE ORDERS TO WITHDRAW A PLAN PUT FORTH WITH GIRI'S BLESSING AND ACCEPTED BY THE INDIANS. AS OF THE END OF THE YEAR NO NEW AGREEMENT HAD BEEN REACHED, EVEN THOUGH NEPAL HAS WITHDRAWN ITS ORIGINAL DEMAND - A DEMAND WHICH WAS MADE OVER GIRI'S PROTESTS - THAT SEPARATE AGREEMENTS BE MADE ON TRADE AND TRANSIT. THE IMPOSITION OF A SPECIAL PERMIT SYSTEM FOR NEPALIS TRAVELING TO PARTS OF INDIA HAS FURTHER DEEPENED SUSPICIONS IN KATHMANDU THAT ACCOMODATION WITH INDIA CAN BE MADE ONLY ON INDIAN TERMS AND THAT "POLITICAL DIALOGUES" CAN ONLY BE A ONE WAY AFFAIR. NEPAL, FOR ITS PART, HOWEVER, HAS SHOWN ITSELF INEPT IN DEALING WITH ITS LARGER NEIGHBOR TO THE SOUTH. THE INDIANS HAVE CHARGED WITH CONSIDERBABEL MERIT

CONFIDENTIAL

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PAGE 03 KATHMA 00110 01 OF 03 071113Z

THAT THERE IS NO ONE VOICE N NEPAL WHICH CAN AUTHORITATIVELY STATE POLICY. THE PRIME MINISTER WHO EARLIER HAD APPEARED TO RECOGNIZE "REALITY" OVERREACETED TO THE IMPOSITION OF THE PERMIT REQUIREMENT BY A VITRIOLOC ATTACK ON INDIA. THE PALACE, WHETHER IN THE FORM OF CLOSE ADVISORS OR PRINCE GYANENDRA, HAS ALSO NOT FORMULATED CLEAR POLICY. THREATENED WITH A FURTHER DETERIORATION OF RELATIONS, BOTH COUNTRIES HAVE AGREED TO A "COOLING OFF" PERIOD; NEPAL

CONFIDENTIAL

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PAGE 01 KATHMA 00110 02 OF 03 071121Z

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
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C O N F I D E N T I A L SECTION 2 OF 3 KATHMANDU 0110

HAS ACCEPTED A MODIFIED AND LESS ONEROUS PERMIT SYSTEM
AND INDIA HAS AGREED TO RESUME AN INFORMAL DIALOGUE
LEADING TO A NEW TRADE AND TRANSIT TALKS IN EARLY 1977.

5. GIRI'S RATHER GRANDIOSE PLANS TO ERADICATE CORRUPTION
AND INEFFICIENCY IN GOVERNMENT ALSO APPEAR TO HAVE FAL-
TERED ON THE SHOALS OF AN ENTRENCHED BUREAUCRACY AND
LACK OF PALACE INTEREST. THE PRIME MINISTER, PERHAPS
RECOGNIZING THE FUTILLITY OF AN ALL-OUT CAMPAIGN, HAS
DAMPENED HIS RHETORIC CONSIDERABLY AND SPOT CHECKS ON
GOVERNMENT OFFICES HAVE ALL BUT STOPPED. IN ONE AREA,
HOWEVER, GIRI DOES APPEAR TO HAVE MADE CONSIDERABLE
PROGRESS. THERE HAS BEEN AN INCREASED EFFORT TO ASSESS
TAXES AGAINST THE MORE OSTENTATIOUS OF KATHMANDU'S
BUSINESS LEADERS. HOWEVER, CORRUPTION CONTINUES TO
PLAGUE ALL LEVELS OF LIFE, PUBLIC AND PRIVATE, THROUGH-
OUT THE COUNTRY WITH NO END IN SIGHT.

6. DESPITE HIS LIMITED ACCOMPLISHMENTS, NO ONE DOUBTS
THAT GIRI IS A CONSUMMATE POLITICIAN AND HIS GREATEST
VALUE TO THE KING PROBABLY LIES IN HIS ABILITY TO
KEEP THE LID ON INTERNAL DISSENTION. USING A CARROT
AND STICK APPROACH, GIRI QUICKLY RELEASED VIRTUALLY
ALL REMAINING POLITICAL PRISONERS IN THE COUNTRY AND
CONFIDENTIAL

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PAGE 02 KATHMA 00110 02 OF 03 071121Z

ANNOUNCED A PROGRAM WHEREBY POLITICAL EXILES COULD
RETURN TO NEPAL PROVIDED THEY ACCEPTED THE TENETS
OF THE PANCHAYAT SYSTEM AS AMENDED BY THE KING. SOME
CONGRESS PART EXILES HAVE TAKEN ADVANTAGE OF THE
OPPORTUNITY. OTHERS, INCLUDING THE RECENTLY RETURNED
B.P. KOIRALA, HAVE APPARENTLY YET TO ACCEPT THE CON-
CEPT OF A PARTYLESS DEMOCRACY AND WILL, NO DOUBT, PAY
THE PENALTY. GIRI HAS BEEN THE CHIEF ARCHITECT BEHIND
THE KING'S PLAN TO ENHANCE THE BACK TO THE VILLAGE
CAMPAIGN AS A "PALACE POLITICAL PART", AND IN DOING

SO, HAS BEEN USUCCESSFUL IN ASSURING THAT NO OPPONENTS OF THE PANCHAYAT CAN SLIP INTO THE SYSTEM. THE CAMPAIGN-ENDORSED CANDIDATES HAVE WON VIRTUALLY ALL ELECTIONS AT ALL LEVELS THEY HAVE CONTESTED, A PATTERN WHICH WILL EFFECTIVELY BLOCK CONGRESS OR COMMUNIST CANDIDATES FROM SUBVERTING THE SYSTEM FROMWITHIN. AS A RESULT THE PAST YEAR HAS BEEN SURPRISINGLY FREE OF INTERNAL UNREST. THE PRIVATE PRESS HAS MANAGED TO LIVE WITHIN THE GOVERNMENT GUIDELINES, STUDENTS (PERHAPS REFLECTING A WORLDWIDE TREND) HAVE BEEN POLITICALLY PASSIVE, AND KATHMANDU'S POLITICAL ELITE HAS KEPT SILENT AND ACCEPTED THE CONSEQUENCES OF THE SECOND CONSTITUTIONAL AMENDMENT WHICH UNDERSCORES THE REALITY THAT ALL POWER FLOWS FROM THE KING.

7. GIRI EARLIER MADE NO SECRET OF HIS LACK OF RESPECT FOR THE KING AND HAS BEEN KNOWN TO VOICE STRONG CRITICISM OF THE KING'S PERFORMANCE. IN RECENT MONTHS, HOWEVER, HE APPEARS TO BE MORE RELAXED AND HAPPIER IN THE JOB OF PRIME MINISTER BY THE PALACE. THERE HAVE BEEN INNUMERABLE RUMORS THAT THE KING WOULD REPLACE HIM AT THE FIRST OPPORTUNITY. THIS SEEMS LESS LIKELY IN THE IMMEDIATE FUTURE, PARTICULARLY BECAUSE OF PROBLEMS POSED BY THE NEED TO REACH A NEW TRADE AGREEMENT WITH INDIA AND POSSIBLE INTERNAL COMPLICATIONS.

CONFIDENTIAL

PAGE 03 KATHMA 00110 02 OF 03 071121Z

TINS FOLLOWING KOIRALA'S RETURN TO NEPAL.

8. AS WE HAVE REPORTED, KOIRALA'S RETURN TO NEPAL HAS BEEN GREETED WITH A SURPRISING AMOUNT OF INDIFFERENCE. CONGRESS PARTY SYMPATHIZERS ARE UNANIMOUS IN THEIR JUDGEMENT THAT THE KING HAS ALL THE CARDS IN THE POLITICAL GAME AND THAT THEY HAVE LITTLE CHOICE AT THIS JUNCTURE BUT TO ACCEPT THE PANCHAYAT SYSTEM, AS RIGGED AS IT MAY BE IN FAVOR OF THE PALACE. COMMUNIST LEADERS OF BOTH THE RIGHT AND LEFT FACTIONS HAVE BEEN EQUALLY SILENT THIS PAST YEAR AND THERE IS LITTLE PROSPECT THAT THEY WILL CHALLENGE THE STATUS QUO IN 1977.

9. THIS IS NOT TO SAY THAT THE POLITICAL MOOD IS ONE OF TOTAL APOYAH. THERE ARE RUMBLINGS IN THE COUNTRY-SIDE THAT THE KING IS BECOMING INCREASINGLY ISOLATED FROM THE REALITIES OF LIFE. HE IS, INDEED, A QUIET AND

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PAGE 01 KATHMA 00110 03 OF 03 071144Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
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FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 7142
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C O N F I D E N T I A L SECTION 3 OF 3 KATHMANDU 0110

WITHDRAWN MAN WHO REPLIES- PERHAPS UNDULY SO - IN THE
JUDGEMENT OF HIS CLOSE ADVISERS. THERE HAVE BEEN
REPORTS, SOME OF WHICH WE CAN CONFIRM, THAT THOSE
ADVISORS HAVE EITHER FALSIFIED OR WITHELD IMPORTANT
INFORMATION FROM HIM. HE CLEARLY LACKS THE COMMON
TOUCH AND CHARISMA OF HIS FATHER, A FACT WHICH MAY BE-
COME INCREASINGLY IMPORTANT IN YEARS TO COME.

THE KING HAS ALSO COME CLOSE TO ALIENATING AN IMPORTANT
SEGMENT OF KATHMANDU'S BUSINESS COMMUNITY THROUGH THE
PROGRAM OF INCREASED TAX COLLECTION. ALTHOUGH FEW CAN
OPENLY OBJECT TO A PROGRAM TO EQUITABLY DISTRIBUTE
THE TAX BURDEN, SUDDEN ARRESTS OF A NUMBER OF IMPORTANT
BUSINESS PERSONS HAVE CREATED AN ATMOSPHERE OF UNEASE
AND UNCERTAINTY. AN ACrimonious DEBATE ABOUT THE
FUTURE OF THE COUNTRY AT A RECENT MEETING OF THE
NATIONAL DEVELOPMENT COUNCIL IN POKHARA DID LITTLE
TO EASE THESE FEARS. ALTHOUGH THE PROCEEDINGS
ARE STILL SECRET, WE HAVE HEARD THAT MOST SPEAKERS
WERE PESSIMISTIC ABOUT THE POSSIBILITY FOR RAPID
ECONOMIC GROWTH. OF GREATER CONCERN TO WEALTHY
(AND HENCE, POWERFUL) NEPALESE WAS THE EMPHASIS ON
INCREASED TAXATION AND CONSOLIDATION OF LAND HOLD-
INGS IN A SMI-GOVERNMENT, SMI-PRIVATE, COOPERATIVE
CONFIDENTIAL

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PAGE 02 KATHMA 00110 03 OF 03 071144Z

SCHMEM, REPORTEDLY TO BE INITIATED IN JHAPA DISTRICT.
TO MANY LAND OWNERS SUCH A SCHEME SMACKS OF A TREND
TOWARDS NATIONALIZATION OF LAND IS THE PRIN-
CIPAL SOURCE OF WEALTH IN THE COUNTRY.

10. THE KING'S REPUTATION, TOO, HAS BEEN TARNISHED BY REPORTS CURRENT IN THE CONSERVATIVE NEWARI COMMUNITY THAT HE IS AN "INAUSPICIOUS MONARCH" WHOSE ASTROLOGICAL FUTURE IS CLUDED BY BAD OMENS. THIS ASSAULT ON THE KING'S REPUTATION HAS BEEN REENFORCED BY STORIES OF HIS PERSONAL HABITS INCLUDING EXCESSIVE DRINKING, ALIENATION FROM THE QUEEN, ETC. ALTHOUGH NOT TOONCMPORTANT IN THEMSELVES, THESE STORIES SEEM TO REFLECT A GROWING LACK OF RESPECT IF NOT OF THE MONARCHY AS AN INSTITUTION, THEN OF THIS PARTICULAR KING.

11. THE OUTLOOK OFR THE COMING YEAR IS MUCH OF THE SAME. WHILE WE EXEPECT THE KING AND GIRIR WILL BE ABLE TO REACH SOME SORT OF MODUS VIVENDI WITH INDIA REGARDING TRADE AND TRANSIT, WE DOUBT THAT THERE WILL BE A SHIFT IN THE FUNDAMENTAL NATURE OF THE INDO-NEPALI RELATIONSHIP. ON THE INTERNAL FRONT PALACE WILL FACE LITTLE OPPOSITION, YET AT THE SAME TIME, MUST COME TO GRIPS WITH THE PROBLEM OF HOW TO MOBILIZE THE POPULATION TO SOLVE FUNDAMENTAL AND FAR-REACHING PROBLEMS OF ECONOMIC DEVELOPMENT. IN SHORT, THE GON WILL MUDDLE THROUGH AS IT HAS MANAGED TO DO SO IN THE PAST. THE GOVERNMENT IS STRONG ENOUGH TO MEET SHORT-TERM PROBLEMS, BUT IT WILL REQUIRE AGREATED DEGREE OF LEADERSHIP, BOTH FROM THE PALACE AND COUNCIL OF MINISTERS, TO EFFECT SOLUTIONS TO THE MORE SERIOUS QUESTIONS - POLITICAL, ECONOMIC AND SOCIAL - THE COUNTRY MUST FACE OVER THE LONG HAUL.
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